

Message Text

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17

ACTION EA-10

INFO OCT-01 ISO-00 EB-07 /018 W
----- 097945

O R 120710Z MAY 75
FM AMEMBASSY JAKARTA
TO AMEMBASSY MANILA IMMEDIATE
SECSTATE WASHDC 8099
USDOC
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: BEXP ID

SUBJECT: KRAKATAU STEEL SEEKS CONSULTANTS

REF: A) STATE 107936 (NOTAL)
B) JAKARTA 5345 (NOTAL)
C) STATE 107756 (NOTAL)
D) JAKARTA 5666

1. SUMMARY AND ACTION REQUESTED. SITREP REQUESTED
REF A FOLLOWS. PLEASE BRING IT TO ATTENTION OF
APPROPRIATE ARMCO, MCKEE, AND KAISER ENGINEERS
(KE) OFFICIALS. END SUMMARY.

2. KRAKATAU MANAGEMENT'S PLANS SEEM TO CHANGE DAILY,
IF NOT HOURLY. AVAILABLE INFORMATION FOLLOWS.

3. EMBASSY HAS JSST LEARNED THAT SEPARATE CONSULTANT
FOR EVALUATION OF WORK COMPLETED BY FERROSTAAL IS ABOUT
TO BE HIRED. KRAKATAU MANAGMENT CONSIDERING TWO
BRITISH QUANTITY SURVEYORS/COST CONSULTANTS, WIDNELL
TROLLOPE AND MCLELLAN. SCOPE OF WORK FOR PRINCIPAL
CONSULTANT WILL BE ALTERRED TO EXCLUDE THIS EVALUA-
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TION.

4. IN TELCON SUNDAY NIGHT 11 MAY KRAKATAU PRESIDENT ARIWIBOWO TOLD EMBOFF HE NOW PLANS LEAVE JAKARTA FOR EUROPE CIRCA TUESDAY MAY 13 TO MEET REPRESENTATIVES OF FIRM SELECTED FOR ABOVE EVALUATION AND LAUNCH THEIR WORK. "CONSULTANTS MUST BE CHOSEN BY WEDNESDAY", HE SAID. (THIS OBVIOUSLY IMPLIES SOME AMBIGUITY ABOUT TRAVEL PLANS, CONSISTENT WITH HIGHLY FLUID PROGRESS OF KRAKATAU RESTRUCTURING EFFORT TO DATE).

5. EMBASSY HAS ALSO LEARNED IT IS LIKELY THAT KRAKATAU MANAGEMENT WILL ENGAGE BLACK AND VEATCH TO EVALUATE POWER, AND POSSIBLY WATER SUPPLY, WORK ALREADY ACCOMPLISHED. THIS ASSIGNMENT WAS APPARENTLY THE ONE ARIWIBOWO HAD IN MIND WHEN HE MADE HIS CRYPTIC REQUEST FOR LIST OF LEADING AMERICAN CONSULTANTS IN POWER AND WATER SUPPLY FOR STEEL PLANTS (REF B).

6. HAVE PASSED REF C TO ARIWIBOWO TOGETHER WITH INFORMAL LETTER FROM KE'S LOVGREN CONVEYING COMPARABLE (THOUGH LESS COMPLETE) INFORMATION ABOUT KAISER. BELIEVE KAISER'S TELEX PROPOSAL AMPLIFIES THIS.

7. PLEASE BRING ALL OF ABOVE TO ATTENTION ARMCO, MCKEE, AND KAISER (ATTENTION LOVGREN) AS APPROPRIATE, IN ADDITION MATERIAL REF D.

8. ALSO UNDERSTAND ARMCO AND KE COOPERATING IN JOINT PROPOSAL TO KRAKATAU. CAN DEPARTMENT VERIFY, AND ALSO TELL US HOW MCKEE IS RESPONDING, IF AT ALL?

9. RE PARA 2 REF A, PROSPECTIVE CONSULTANTS SHOULD BE HEARTENED BY DECISIVE STAND GOI HAS TAKEN IN CONTROVERSY OVER GERMAN CONTRACTS: RISKS TO CONSULTANT HAVE DIMINISHED ACCORDINGLY. AS FAR AS RISKS TO USG ARE CONCERNED, WE HAVE NOT SEEN THESE AS ARISING FROM POSSIBLE MISSTEP BY AMERICAN CONSULTANT BUT THROUGH LIKELY MISREPRESENTATION OF USG INVOLVEMENT, BY PARTIES IN INTEREST, AS ATTEMPT TO WEAKEN PERTAMINA. AS DEPARTMENT AWARE, OPENING OF DIRECT COMMUNICATIONS LIMITED OFFICIAL USE

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CHANNEL TO KRAKATAU MANAGEMENT ON THIS QUESTION HAS SIGNIFICANTLY EASED DELICATE SITUATION THAT PREVAILED EARLIER.
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